Trip Notes

IMF Spring Meetings 2025

Overview

- The timing of the IMF Spring Meetings was particularly interesting, following the global tariffs implemented by the US administration. Uncertainty was a commonly shared sentiment among authorities worldwide.
- Most country representatives expected the direct effect on their own countries to be small or manageable. However, weaker global growth was a bigger concern, with downside risks being imminent.
- Some authorities believed that the geoeconomic order has changed permanently and there is no way back. A common theme was the pursuit and shift towards multiple and flexible financing sources. Additionally, maintaining good relationships with US authorities was a goal for many government officials.
- In its World Economic Outlook (WEO), the IMF revised its forecast for global growth down compared to the previous update. In 2025, the global economy is expected to grow by 2.8%, down from 3.3%, and emerging economies by 3.7%, down from 4.2%. Global headline inflation is expected to decline to 4.3%, with emerging economies driving the bulk of the moderation from 2024 figures of 7.7% to 2025 estimates of 5.5.%.
- Country meetings: 26

Africa: Angola, Ghana, Ivory Coast, Kenya, Rwanda, Senegal, Zambia

Asia: Azerbaijan, Kyrgyzstan, Tajikistan

Central America and the Caribbean: Costa Rica, Dominican Republic, El Salvador, Honduras, Jamaica, Panama

Europe and Central Asia: Armenia, Georgia, Romania, Ukraine

Middle East and North Africa: Egypt, Oman, Saudi Arabia

South America: Mexico, Paraguay, Uruguay

Georgia

- Georgia's economy has maintained its strong momentum following the COVID-19 pandemic. The IMF forecasts growth of 6% for this year, with a medium-term growth forecast of 5%. Monetary policy has been tight, with inflation being contained below the central bank's target of 3%. Factors related to economic productivity, rather than demand side effects, have been the core drivers of inflation. However, recent inflation prints have slightly overshot the central bank's target (due to base effects and external factors, particularly food prices). The current account deficit has improved compared to historical figures, driven by an increase in tourism, export services, and a decline in imports. Fiscal policy has been prudent, with public debt expected to decline to around 36% of GDP, well below the 60% target.
- The risks to the external side remain balanced, though foreign direct investment has slowed as some projects wind down. Remittances have returned to pre-Russia-Ukraine-war levels. The financial sector seems to be in solid shape, with banks being profitable, well-capitalised, and liquid. However, challenges include high dollarisation of loans and deposits, asset concentration (two banks hold 80% of total assets), and reversals in dollarisation trends. Foreign exchange reserves declined from USD 5.6 billion in August last year to USD 4.4 billion by year-end but are expected to stabilise with tourism inflows.
- Georgia is invested in the "Middle Corridor" project, facilitating trade between the EU and China, though challenges on project coordination issues, border congestion, and resource constraints exist. Transportation and logistics are key priorities, with infrastructure improvements and unified fees high on the agenda. The IT sector, initially driven by immigration, has matured domestically, with increasing local participation. However, concerns over a slow decline in institutional quality, including reduced central bank independence and democratic weakening, pose longer-term risks. While macroprudential policy remains unaffected, the departures of key figures from the ministry of finance and Bank of Georgia raise concerns over institutional strength.
- Georgia has not requested a new IMF program, and there is no immediate need for one. However, risks tied to political factors, institutional quality, and external vulnerabilities remain. The economy's resilience will depend on maintaining fiscal discipline, addressing structural bottlenecks, and safeguarding institutional independence to support long-term growth and stability.
- **Our view**: Our local currency frontier strategy has a small allocation in Georgia. We have been monitoring the worrying actions against the country's institutions that have triggered protests.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	5.0%	6.0%	9.4%	7.8%	11.0%	4.4%
Inflation (% annual percent change)	3.2%	3.6%	1.1%	2.5%	11.9%	3.6%
Overall Fiscal Balance (% of GDP)	-2.3%	-2.6%	-2.3%	-2.3%	-2.2%	-2.5%
Government Debt (% of GDP)	35.3%	35.8%	36.1%	38.9%	39.2%	38.9%
Current Account (% of GDP)	-4.7%	-4.4%	-4.4%	-5.6%	-4.4%	-9.4%

Aktia, IMF and Macrobond

Jamaica

- The IMF is currently in surveillance mode with Jamaica and is engaging in an Article IV consultation. Jamaica no longer has an active IMF program, with the Precautionary and Liquidity Line (PLL) completed last autumn. General elections are expected later this year, by September. Over the past decade, Jamaica has been successful in achieving policy reforms, building reserve buffers, reducing public debt ratios and establishing an independent fiscal commission. These achievements build on previous IMF arrangements, with the PLL supporting the reform agenda, fiscal oversight models, resolution frameworks, and data adequacy. The Resilience and Sustainability Facility (RSF) was fully disbursed, focusing on climate and financial sector management.
- Last fiscal year was marked by a negative shock from Hurricane Beryl, resulting in an economic contraction. Nonetheless, Jamaica's financial sector remains well-capitalised and liquid, with record international reserves. The capital adequacy ratio is considered by the IMF to be adequate, and economic recovery is expected this year, with medium-term growth potential remaining low at 1.5%. Inflation is within the central bank's target band, and the debt-to-GDP is projected to converge to 60%, with discussions ongoing about potentially lowering this target to create further fiscal buffers. Maintaining the current fiscal stance over the medium term could allow debt to fall further.
- Downside risks include high dependence on US tourism, which accounts for around 70% of arrivals. Trade policy disruptions could pose risks, though Jamaica's export base to the US is expected to remain exempt from higher tariffs. Falling oil prices could benefit the economy. The fiscal responsibility law is expected to remain intact regardless of election outcomes, and the central bank, which gained full independence in 2020, has been instrumental in reducing inflation. Any attempt to remove central bank independence would likely face strong opposition, as it has been a cornerstone of Jamaica's economic success. The opposition party, which was in power during the IMF program, is unlikely to challenge this framework.
- The IMF baseline expects the majority of exports to the US to remain stable. Jamaica exports around USD 1 billion to the US and imports around USD 3 billion, resulting in a significant trade surplus for the US. The IMF supports the current FX policy of non-intervention unless the external side faces shocks that the market cannot absorb, in which case intervention would be supportive. More Canadians have been diverting tourism spending to Jamaica from the US, thus supporting the tourism sector. Aluminium production remains an important part of the economy (receiving notable Chinese investment) despite an overall declining share of global production.
- **Our view**: Our frontier local currency strategy has been invested in Jamaica since April 2023, first via a DFI note and later participating in the inaugural global local currency issuance in October 2023, encouraged by the country's progress in improving its economic situation.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	1.6%	2.1%	-0.8%	2.6%	5.2%	0.1%
Inflation (% annual percent change)	5.0%	5.0%	5.5%	6.5%	10.3%	5.4%
Overall Fiscal Balance (% of GDP)	-0.4%	0.0%	0.3%	0.0%	0.3%	-0.5%
Government Debt (% of GDP)	62.2%	64.6%	69.2%	73.4%	77.0%	115.0%
Current Account (% of GDP)	-0.3%	0.9%	1.0%	2.9%	-0.8%	-3.7%

Aktia, IMF and Macrobond

Kenya

- In 2025, Kenya's GDP growth is expected to accelerate from last year’s 4.6% to 5.4%, according to the authorities. However, the IMF forecasts a slower growth rate of 4.8%. Kenya's economy has started to recover from last year’s slower growth, driven by construction and services. The authorities anticipate that higher tariffs will have a 0.2% to 0.4% negative impact on growth. Inflation is expected to remain below 5%, which may provide room for further rate cuts by the central bank.
- The current account deficit was 3.1% of GDP in 2024, but both Kenyan authorities and the IMF stated that the actual number was better than reported due to underreporting of tourism income and conservative estimates of remittances. In 2025, Kenya is correcting the reporting, and current account data should be more reliable. Additionally, export growth has outperformed import growth, with imports primarily consisting of intermediate and capital goods, which should contribute to future growth. Lower oil prices should also provide additional support, as Kenya has used a USD 75 per barrel oil price in its budgeting. Foreign exchange reserves have reached their highest levels at USD 9.8 billion, providing an import cover of 4.4 months. The Kenyan shilling has remained stable, supported by a stable current account balance and improved confidence.
- Fiscal policy faces the biggest challenges. Last year, the government attempted to increase taxes, which led to widespread protests, forcing the government to step back. This resulted in a shortfall in revenue collection and the need for supplementary budgets. Additionally, the government aims to reduce non-essential expenses. The IMF sees public engagement as important to avoid protests; however, the government is focusing on widening the tax base, reducing exemptions, and improving efficiency in tax collection.
- Kenya’s debt level is 65.7% of GDP and is almost evenly distributed between domestic and external lending. In its funding plan, Kenya aims to smooth and lengthen its debt maturity profile. In March, the Kenyan authorities and IMF staff reached an understanding that the ninth review under the current Extended Fund Facility and Extended Credit Facility programs will not proceed. Kenya has requested to engage in a new program with the IMF.
- **Our view**: Kenya is highly diversified and the largest economy in East Africa, underpinning its resilience. It is a top 10 holding in our local currency frontier strategy, with a relatively stable currency of late. We hold a diversifying position in our Hard Currency strategy, while we did not participate in the latest Eurobond issuance in February 2025 due to tight spread levels at the time.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	4.9%	4.8%	4.5%	5.6%	4.9%	4.4%
Inflation (% annual percent change)	4.9%	4.1%	4.5%	7.7%	7.6%	6.4%
Overall Fiscal Balance (% of GDP)	-5.0%	-5.4%	-5.5%	-5.7%	-6.1%	-6.8%
Government Debt (% of GDP)	70.2%	68.3%	65.6%	73.0%	67.8%	52.0%
Current Account (% of GDP)	-4.2%	-3.9%	-3.7%	-4.0%	-5.0%	-6.4%

Aktia, IMF and Macrobond

Oman

- Oman experienced robust economic growth in 2024, with a fiscal surplus estimated at 5-6% of GDP. The government has effectively utilised its surplus to reduce the debt-to-GDP ratio, while saving a portion for future needs. Downside risks remain tied to potential oil price declines, which could slow non-hydrocarbon diversification and growth in 2025 and beyond, also impacting fiscal sustainability.
- FDI inflows reached USD 11 billion in 2024, consistent with 2023 levels and significantly above the typical USD 4-6 billion range. The IMF is investigating the sources and uses of these inflows, which have historically been directed toward oil and gas exploration. Tourism has performed well, exceeding pre-pandemic levels and benefiting from investments into "luxury tourism", including 4- and 5-star hotels. Despite regional instability, with the conflict in Yemen, Oman's tourism sector has remained resilient.
- Oman is undertaking significant fiscal reforms, including a modernisation of the tax administration to improve compliance and risk management. The IMF is advocating for the introduction of a Personal Income Tax (PIT) and Corporate Income Tax (CIT) reforms to close tax gaps. These measures are part of a broader five-year revenue strategy aimed at enhancing fiscal sustainability. VAT implementation during COVID-19 has laid a strong foundation for further revenue mobilisation efforts.
- Oman continues to leverage its energy sector for economic development while diversifying into green energy investments, such as partnerships with the Netherlands. The government is reprioritising its spending, phasing out electricity and water subsidies, and implemented a social protection law, which was completed within a year. However, lower oil revenues may constrain funding for lower-priority projects, highlighting the need for a comprehensive revenue strategy under the 11th Five-Year Development Plan.
- The risks to the economic outlook are balanced. The normalisation of oil prices is now expected by 2026, later than previously assumed. Oman is improving public financial management, including adopting a fiscal rule and addressing discrepancies in data reporting (e.g. gross vs. net basis for oil-funded operations). While spreads have recently slightly risen, possibly reflecting regional market concerns, Oman has maintained strong debt management practices, received financing for infrastructure projects and worked on its domestic liquidity management.
- **Our view**: We currently have position in our Hard Currency strategy. Country has been on improving credit rating path past years and it's expected to have its credit rating upgraded to investment grade in near future.

	2026F	**2025F**	**2024**	**2023**	**2022**	**2012-2021**
Real GDP (% annual percent change)	3.6%	2.3%	1.7%	1.2%	8.0%	2.5%
Inflation (% annual percent change)	2.0%	1.5%	0.6%	1.0%	2.5%	1.0%
Overall Fiscal Balance (% of GDP)	1.1%	1.2%	6.3%	6.9%	10.5%	-6.9%
Government Debt (% of GDP)	33.9%	35.4%	35.5%	37.5%	41.7%	32.4%
Current Account (% of GDP)	-2.5%	-1.5%	2.2%	2.5%	4.0%	-5.6%

Aktia, IMF and Macrobond

Paraguay

- Paraguay continues its strong performance and implementation of the reform agenda. In 2024, GDP grew by 4.0%, and this year's growth is expected to be 3.8% (IMF WEO). The US tariffs policy adds uncertainty to the forecast, but it is expected to have a minor effect as exports to the US constitute only a small share of total exports. Inflation, currently at 4.5%, is within the central bank's target range and is expected to decline to 3.5% by the end of the year.
- The fiscal deficit has continued to decline due to improved tax collection (12% year-on-year). A new and popular electronic bank has increased official payment transactions, resulting in a 47% increase in the formal labour force. Additionally, a VAT increase and improved information sharing between government departments have boosted tax revenues. The fiscal deficit is expected to decline from 1.9% in 2024 to 1.5% in 2025.
- Paraguay has implemented 14 reforms in 12 months, making it the most reformist country in the region. This year, a top priority is pension reform, which is the most challenging due to the involvement of labour unions in the discussions. Paraguay's relatively open economy adds vulnerability in the current geopolitical environment. Additionally, it is sensitive to weather shocks, especially droughts, as agriculture and the Itaipu Dam produce most of the electricity in Paraguay.
- The Itaipu Dam was built between 1975 and 1984 and is owned equally by Brazil and Paraguay. The original agreement was signed in 1973, and in 2023, a renegotiation was triggered as the debt was cleared. Since then, the countries have been negotiating its financial terms: Paraguay has used only a part of its share of produced electricity and sold the surplus to Brazil. Yearly income from the dam has been approximately 1.5% of GDP, but it has been an off-budget item used for social and environmental purposes. Regardless of the outcome of negotiations between Brazil and Paraguay, Paraguay's income from the dam is expected to decline in the future as it will use the produced electricity itself.
- **Our view**: We have been invested in Paraguay in our frontier local currency strategy since November 2023, first via DFI bonds, then in the inaugural global local currency bond in February 2024, and again in the second issue later this year, in which our traditional EM local currency strategy also participated. Paraguay is also one of the holdings in our Hard Currency strategy, based on its defensive characteristics and relatively sounds debt metrics.

	2026F	**2025F**	**2024**	**2023**	**2022**	**2012-2021**
Real GDP (% annual percent change)	3.5%	3.8%	4.0%	5.0%	0.2%	3.1%
Inflation (% annual percent change)	3.6%	3.7%	3.8%	4.6%	9.8%	3.5%
Overall Fiscal Balance (% of GDP)	-1.3%	-1.6%	-2.1%	-3.8%	-2.6%	-1.7%
Government Debt (% of GDP)	42.7%	43.9%	45.2%	41.1%	40.5%	22.2%
Current Account (% of GDP)	-2.7%	-2.4%	-3.9%	-0.6%	-7.2%	0.6%

Aktia, IMF and Macrobond

Uruguay

- After the elections in the last quarter of 2024, the main interest was the government's fiscal priorities. Uruguay faces three short-term external challenges: higher global interest rates, lower commodity prices combined with the trade war, and fiscal uncertainty related to its neighbours, Argentina and Brazil. Domestically, the government's main targets are improving slow growth and strengthening social cohesion. The IMF expects 2025 growth to slow to 2.8% from 3.1% in 2024. The slow growth is structural and is not expected to speed up in the near term. There is no significant investment pipeline, and the government reforms are not expected to be game changers.
- The government is committed to macroeconomic stability, both fiscally and in terms of inflation. Strengthening the fiscal rule was also a target of the previous government, and the work continues. The target is to send the new fiscal rule to parliament in August. The current rule has three pillars, of which only one is binding, and the other two are indicative. Additionally, the binding one is a nominal debt limit, which has some problems and lacks a correction mechanism if the limit is breached. The new rule should be more binding in the long term while providing some flexibility in the short term.
- The current administration supports the central bank's inflation target and aims to strengthen central bank independence. Central Bank Governor Guillermo Tolosa has promised improved communication and transparency. The current inflation target range is planned to be amended to a point target of 4.5%. Currently, inflation expectations are above the target, and the central bank has hiked its policy rate. The monetary policy transmission mechanism is weak, partly due to widespread indexation in the economy, both in contracts and wages.
- The biggest uncertainty comes from the government's plans to improve social cohesion. In last October's plebiscite, the amendment of the pension system was rejected, but the issue remains part of the current coalition's plan: Frente Amplio was against changing the constitution but not social security reform. In the worst case, the current pension system with private funds will end, and the fiscal deficit will skyrocket. However, the current pension system has wide public support. Discussions to amend the social security system are just starting, with a deadline for the work set for May 2026.
- **Our view**: Our frontier local currency and local currency strategies are invested in Uruguay, as it provides stability as well as returns. We also have moderate position in Uruguay in our Hard Currency strategy, where the country is also viewed defensive credit exposure.

	2026F	**2025F**	**2024**	**2023**	**2022**	**2012-2021**
Real GDP (% annual percent change)	2.6%	2.8%	3.1%	0.7%	4.5%	1.5%
Inflation (% annual percent change)	5.3%	5.5%	4.9%	5.9%	9.1%	8.3%
Overall Fiscal Balance (% of GDP)	-2.7%	-2.9%	-3.2%	-3.1%	-2.5%	-2.5%
Government Debt (% of GDP)	68.3%	68.5%	68.7%	64.0%	59.9%	57.1%
Current Account (% of GDP)	-1.7%	-1.5%	-1.0%	-3.4%	-3.8%	-1.1%

Aktia, IMF and Macrobond

Aktia